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PUBLIC REGULATION OF WAGES—DISCUSSION

FRANK JULIAN WARNE: In consenting to reply to Professor Dixon's very able and clearcut presentation of the Public Regulation of Railway Wages within the short space of ten minutes, I did not realize until now what a courageous and, I might add, a foolhardy promise I had made. It is this because it is impossible adequately to make a reply in any short period of time. In order that I may have time barely to touch upon a few of the important questions, I shall ask you to assume that I have said all the nice things such a presentation as that made by Professor Dixon deserves. I shall ask you also to assume that there are questions discussed by him to which I can not even refer owing to the lack of time.

Let me first present the kernel of these concerted wage movements. They are based upon, first, the increasing productivity of railway labor and, second, upon the widespread system of intercorporate railway stock ownership.

As to the increasing productivity, it is important to realize that these concerted wage movements are confined almost entirely to the various classes of train employees. It has come about in recent years that this train machine which they are called upon to handle has increased enormously, almost beyond comprehension, in its output. The freight car, for instance, has grown from fifteen and twenty tons capacity to as much as fifty tons and more. The capacity and power of the locomotive has increased at an even greater rate. The number of cars and in cases also the number of locomotives to the train has increased. The tonnage capacity of the train machine itself has jumped forward by leaps and bounds until today there are instances of average train tonnage exceeding 1000 tons per train-mile. This illustration is, of course, the exception. So also is the statement that there are trains having as many as five locomotives in order to pull the load.

A somewhat similar tendency as to the increase in productivity is also true of the passenger service.

Briefly, it is this increase in the productive capacity of the train machine which the train employees handle that is the economic basis of the demands of these employees for increased wages and improved conditions of employment.

Now as to the other basis of these concerted wage movements—intercorporate railway stock ownership. I believe that there are very few of us who realize the remarkable extent to which the intercorporate ownership has proceeded. Roughly 68 per cent of the railway companies and as great a proportion as 80 per cent of the total single track mileage owned in this Eastern Territory is under the control of only twelve systems. In the Southern Territory, three fourths of the owned mileage is controlled by six systems. In the Western Territory, where a concerted wage movement of the engineers and firemen on all the roads west of the Mississippi River is now in progress, fourteen large systems control 76 per cent of the owned mileage.

This intercorporate ownership results in the grouping of the separately chartered railroad companies and their mileage within a few large systems. This has forced the train employees to make their demands upon the systems in the separate territories and not upon the individual railway company. You can readily see how this is. Under this intercorporate system the financial and operating report of the individual road becomes almost valueless, because of the control of the earnings and traffic operations by an entirely separate company whose interest it may be to leave the individual dependent company as little of the division of rates and of traffic as possible. Let me illustrate by a concrete example. In the arbitration proceedings of the locomotive engineers in the Eastern Territory in 1912 the exhibits of the railroads were replete with large numbers of small subsidiary roads that were not in the best of financial condition. But when the representatives of the railway employees placed these individual roads under their proper ownerships and analyzed the same items of the owning company and of the system, the result was so different that the railway managers virtually withdrew their contention as to their inability to pay the wage increases requested.

Professor Dixon has left so little ground for controversy in his presentation of the subject that there are not many of his statements to which I would take exception. Of course, it is realized that there is plenty of ground for a difference in point of view.

Professor Dixon says that standardization means a minimum wage. Any condition means that. Under any scheme or plan whatever there will be a minimum wage. The difference is that under the present system of labor union standardization there

can not be a decrease in the minimum. Under other methods a decrease in this minimum would be possible.

Professor Dixon says that standardization results in unfair discrimination between employees. Let us grant it. But any other possible method would result in still greater unfair discriminations between employers. The advantage of standardization over any other method is that it results in less unfair discrimination—it provides a broad basis from which all employees within the group are to start.

Professor Dixon says that standardization disregards the individual in favor of the organization. True. And necessarily so. Society itself does this; every form of social or economic organization that we have does this. It is, to my mind, not something that is to be criticised or condemned as much as it is to be commended.

Professor Dixon states that "the railways have been the party which has generally appealed to the mediators." Why? Did you ever hear of a railroad company itself starting a movement to increase the wages of its train employees? Do you know of a single railroad company whose president and board of directors makes it a practice to increase the wages of their train employees? Do you know, as a matter of fact, that it is only the organized railway employees that secure increases in wages? It is from these employees that the movement for increased wages starts, and if it were left to the ruthless working out of heartless economic laws these organized train employees would more than likely secure higher wages than those that have been granted to them by federal boards of arbitration.

Now as to strikes. Professor Dixon states that "absence of strikes is not the sole index of the success of wage regulating legislation." Perhaps not. But it is a very important, perhaps the most important, index of its success. As long as it is impossible for employers to see the wage problem as the employees see it; as long as it is impossible for the employees to view the wage problem from the concrete and personal point of view of the employers, just so long, from the point of view of society, is any method of settling wage controversies that prevents strikes, with their usually accompanying lawlessness, and their disregard of social peace and economic stability, a success. Interpreting the meaning of success in its true sense as being economic justice, I

am rash enough to venture the assertion that no possible human method of wage regulation can be a success.

Now as to the awards in the public regulation of railway wages being compromises. If granting the demands of the employees, or on the other hand refusing to grant the demands of the employees, is to be understood as not being a compromise, then I should say that a compromise decision is probably the sole index we have of the success of wage regulation legislation. I have yet to engage in a wage controversy where the employees did not believe their demands should be granted and where the employers did not believe the demands should be refused. If there is any large body of men in the United States today selling their labor for wages that are working under perfectly ideal conditions—that is, for the highest possible wages and the best possible conditions of employment—if this is so it is a momentous fact that has escaped my attention.

I shall not take up any time in criticism of the federal boards of arbitration and mediation that have been called into public service to settle railway wage controversies. This is not saying that there is no ground for such criticism. There is plenty of it. None of these federal boards has been perfect, either in the selection of their personnel or in the operation of their hastily constructed machinery. But I believe they have met the critical situation each was called upon to meet in the best way it could have been met under prevailing conditions. It is these existing conditions that we must constantly keep in mind in our review of the work of these boards.

When we compare the present system to the ideal we have in mind, we come to one conclusion. When we view it in the light of the best possible to be obtained, we are more satisfied with it. And when we compare it with the operation of the machinery that it has superseded, we are even more satisfied. This is not saying, of course, that there can not be an improvement in our present system of the public regulation of railway wages.

H. B. WOOLSTON: Everyone must deplore the appalling social cost of low-paid labor. Society does pay in alms and stripes and stunted lives the wage it refuses to unskilled workers. The broken servant of industry appeals to us all. Yet as economists we must consider not only the needs of the workers but also the resources of their employers.

It is truism to say that a manager pays not for effort but for efficiency, not for sacrifice but for output. In most lines wages do increase with the value of the product. Whether or not each worker receives the full value of his labor, is a more difficult question to answer, especially in low-skilled trades, where few standards exist. Every investigator finds men and women in one factory receiving half the rates quoted next door for similar work.

But output depends not only upon labor. Equipment and management also determine the product. We should expect to find the value of the output increasing with the amount of capital invested, and this is generally the case. Machines are cheaper than human labor in the long run. But where labor can be had for the asking and flung out of doors when it ceases to earn profits for wasteful management, why should a shrewd enterpriser pay for machines?

The investment of capital also affects wages. Skilled men are required to run an expensive plant at top speed, and such men demand fair pay. Women and children can, however, tend simple automatic machinery, although they cannot be trusted to adjust and repair it. The textile and clothing trades are examples of such low-paid lines where female and minor help predominates. New workers can readily be recruited from grammar schools, tenement homes, and Italian vineyards. Wages are thus depressed to the level set by the neediest, the most ignorant, and the least efficient.

As more capital is put into a growing plant and its equipment, the proportionate amount expended for labor is reduced. The output is increased by mechanical devices while the percentage of cost for wages falls. In manufacturing lines the labor cost does not ordinarily exceed 20 per cent of all expenses. Consequently a 10 per cent rise in wages would add only 2 per cent to the cost of the product. It has been calculated that in order to raise the wages of over 2000 young women in New York candy factories from an average of \$5.75 to a minimum of \$8 a week, the confectioners might charge 18 cents more a hundred pounds for their bonbons and cover the difference. In other words, by raising the price of candy less than two mills a pound the weekly pay of three quarters of the women could be raised nearly 40 per cent. In like manner to increase the wages of 4000 girls in the department stores from an average weekly rate of \$4.62 to a

minimum of \$6 and of 13,000 women from an average of \$6.62 to a minimum rate of \$9, shoppers might have to pay \$1 instead of 99 cents for a shirt. Here is the whole secret of raising wages by distributing the cost.

It is unnecessary to argue for the economy of high wages. Congressional inquiries and efficiency experts have proven beyond doubt that the well-paid American artizan turns out more shoes and lays more bricks per hour than his low-paid European or Asiatic competitor. This means a saving of time and materials and so an absolutely lower labor cost per unit of product. The same principle holds between different lines of work and between different establishment in the same line. The better stores and factories almost invariably pay a rate above the general level of the trade, to secure more efficient workers. Representative firms with high-paid help are always competing more or less successfully against sweatshop, prison, and coolie labor. Since low wages have proven uneconomical, why should we not confirm high standards of management and of workmanship?

It may be said that wages are based upon efficiency, but that high wages will not necessarily secure efficiency. We are told that low-paid workers are getting just about what they are worth and any attempt to increase their pay will simply be pouring water on sand. Let us see what an ordinary factory girl does to earn \$6 a week. A plain workshirt such as porters wear retails for 50 cents. The material in it costs the manufacturer about 20 cents and the labor less than 5 cents. But the work of sewing such a garment is subdivided into twenty special operations, which are paid for at rates varying from 1 cent to 5 cents per dozen shirts. To set collars on 2400 garments at 2 cents a dozen means completing 45 an hour for 54 hours. To paste the paper on 6000 boxes at 10 cents a hundred within the same time, a stripper must turn out two a minute. To coat 600 pounds of candy with chocolate at 1 cent a pound, a hand dipper must finish a piece in every seven seconds. An ordinary saleswoman will dispose of \$200 to \$300 worth of goods in a busy week, and thus help to turn over the entire stock of a department store five or six times within a year. These are not exceptional examples of earning capacity. They merely serve to show that it is the supply of workers rather than the productivity of their services that determines ordinary rates of wages.

Nor can it be said that the youth and inexperience of most of the employees accounts for the general low level of pay in these lines. It was found in New York that the majority of women in any five-year age group do not exceed the rate of \$8 a week until they are over thirty. Most men attain \$15 a week after thirty-five. But a person may be old in years and young in trade experience. Basing the wage groups then upon length of service in the business, it was found that most women in comparatively skilled occupations in stores and factories do not attain \$10 even after thirty years experience in the trade. Before this comparatively mature age is reached, most employees have dropped out, and after thirty-five or forty a general falling off in wages is apparent.

Promotion in such lines is slow and uncertain. There is no well marked course of advancement. A young woman learns the knack of doing something in a few months and then sticks at \$6 or \$7, unless she can increase her speed or the amount of her sales. Why should she cleave to the firm? Her chance of rising to be forewoman or head of stock is about one in two hundred.

There are two ways of securing more work from a horse. One is to beat and starve the animal. The other is to treat it well, to feed and shelter it in order that its strength may be increased, its temper improved and its life prolonged. It is said that the prospect of security and comfort is an incentive to good service. There appears to be room for the application of this policy in the case of low-skilled labor.

Aside from the ability of the worker to make a good bargain for his services there are three principal methods of effecting a rise in wages. The first is through the sagacity of the employer. Most progressive business men realize that cheap labor is expensive. They strive by various efficiency systems, welfare schemes, bonus and profit sharing plans to enlarge earning capacity and to enlist the interest and coöperation of their employees.

The second method to insure increased wages is by organization among the workers. Where the supply of labor is limited or where it is intelligent and homogeneous it can be welded together to enforce its collective demands. But where, as in many low-paid lines, the working force is composed largely of girls and foreigners, inexperience, pressure of want, and fear of disapproval prevent their uniting. It is this situation that balks the efforts

of the trade unions and throws crowds of unskilled workers into the hands of radical industrial leaders.

The third method of adjusting wages is that described by Mrs. Evans in her account of the Massachusetts Minimum Wage Commission. Although the plan is new in this country, nine states have already adopted it. In England and Australia wage boards have been extended on the basis of several years of experience. Many objections have been raised to this method of state regulation, but most of them are purely theoretical and can be answered from the facts now at hand.

A criticism of the policy of fixing any standard rate was indicated by Professor Dixon's remark that the minimum is apt to become the maximum. The better employees are thus thought to be sacrificed to help those less able. Of course this would not be the case for piece rates where relative efficiency would show in output. Neither would it apply to railway employees whose pay is based upon miles or hours of run and kind of service. Even in the case of salaries fixed by the state roads of Europe I do not find that the range from minimum to maximum allowed to the highest class of employees is less than that established for the lower grades, but rather the contrary seems to be the case.

However, a standard rate for each kind of service is different from the minimum for health and comfort required by law for women and children. The latter is a necessary first charge on industry. It is merely a human replacement fund, a retaining fee for labor. If there be any superior efficiency required in more responsible positions, how can employees be prevented from discovering their greater earning capacity and demanding more for it? Certainly the minimum rates fixed by commissions in this country are well above the ordinary weekly wages formerly received by two thirds of the low-paid women. It must be remembered, also, that from the amounts saved by dismissing the most incompetent help enough can be set aside to raise the remainder to the minimum level. Even in Victoria, where the rates fixed are more like our normal wages based upon the usage of representative firms,—even there, Chief Inspector Murphy informs me, the average wage in a trade is invariably higher than the minimum. A brief study of his last report confirms his statement upon this point.

Professor Dixon remarked toward the close of his paper that

what we most need for the proper adjustment of wages is impartial, scientific study of the facts, rather than a compromise effected by interested and uninformed parties. With this point I am sure that most of us are in hearty agreement. But the question of enforcement still remains.

In former days when men had a dispute or one injured another they fought it out with fists or swords, and the stronger man won. Later they would agree to settle the matter on terms recommended by some wise umpire. Finally the state undertook to protect the rights of all persons, and established a system of justice based upon a dispassionate examination of the facts. Now criminal law and practice have advanced thus far. But industry appears still to be in the fighting or, at most, in the compounding stage. It is time to bring these matters before some just tribunal. When the parties will listen to reason and settle out of court, so much the better. But when in the mad struggle women and children are injured, business is destroyed and the public suffers, it is not only within the power of the state, but its plain duty, to secure peace, order, and welfare within its borders.

I. M. RUBINOW: There are two distinct economic tendencies which may be designated under the generic term of Public Regulation of Wages and which are treated in the two papers presented here today.

One is the effort to prevent interruption in the regularity of certain important economic activities by enforcing a public settlement of controversies between capital and labor; the other endeavors to grant at least the necessary minimum return to wage workers in certain industries where the present standard of wages is abnormally low. One is exemplified by the Canadian Disputes Act and the Erdman and Newlands Acts, the other by the Australian minimum wage law and its few and timid imitations in Massachusetts and other states. Only the latter may properly be designated as an act of protective labor legislation. The former aims rather to protect the interest of the consumer or of the public at large.

The constitutional difficulties involved may be the same but the economic problems are vastly different. In one case the fear of a strike and its disturbing influences upon general commercial conditions is the motive, in the other it is the directly opposite—the conviction that the wage-group involved is too weak to obtain

necessary redress through its own economic efforts. One might almost say that, viewing both movements as phases of the labor movement, they are directly opposed to each other. Minimum wage legislation is an effort to marshal the force of legislative enactment for the protection of the working class; with certain reservations it is largely true that compulsory arbitration, or any approach to it, often is due to the desire to nullify the strength of organized labor movement. It is to be regretted that this almost obvious distinction is not always recognized, and the odium attached to one is extended to the other. It is difficult to explain in any other way the stand taken by Mr. Gompers in opposition to minimum wage legislation in his recent testimony before the Industrial Relations Commission and by the American Federation of Labor at its last annual convention at Philadelphia.

There scarcely seems any need of arguing that there is need for minimum wage legislation in many industries and in commercial and clerical pursuits. Even the man on the street knows that for a large number of employees, especially women, the wages fall below the minimum requirements of individual existence, to say nothing of family obligations which often rest upon the worker.

The illustration quoted by Mrs. Evans is not an isolated one. Statistics of weekly wages do not after all tell the entire story. There may be some exaggeration in Professor Scott Nearing's estimate that "Nine tenths of working women are earning less than \$500 a year, and that three quarters are paid less than \$750 annually"; but it is quite certain that the \$10 a week girl whom Professor Patten put forth as a practical ideal a few years ago is still an ideal. The stand of organized labor towards minimum wage legislation would perhaps have been justifiable if there were reasonable hope that organization and economic effort would correct the situation. But the history of wage fluctuations for the last two decades leaves one disheartened.

As I believe to have shown recently,¹ the sum total of the effect of the last two decades upon real wages was a reduction of some 10 per cent. And yet the last two decades were years of frantic efforts of labor to gain some advance. If we are to believe our captains of industry and transportation, they are tottering under the burden of high wages, increased either by the pernicious work

¹ See "Recent Trend of Real Wages," *AMERICAN ECONOMIC REVIEW*, December, 1914.

of labor agitators or the equally harmful work of meddling legislators. But notwithstanding even the efforts at sabotage the working class lost some 10 per cent. This 10 per cent must have gone into somebody's pocket. There does not appear any evidence that the investing and employing class have suffered.

The rapid increase in the number of employed women makes an improvement by collective economic effort even more difficult. Our army of female labor consists either of young and inexperienced girls, looking to early marriage, or married women and widows so disheartened and broken in spirit by the very necessity of work that almost any wage is acceptable to them. On one hand there is subsidiary support by parents, and on the other spasmodic help by relatives and charitable institutions. Perhaps without exaggerations, all our large employers of female labor are parasitic employers, not even excluding the large insurance companies, one of which I have the honor to be connected with.

Of course there have been successful strikes of women, notably in New York. But I venture to doubt whether a girls' strike was ever won without the moral support of the male wage workers and of public opinion. The successful issue was therefore a result of a social effort, which could have accomplished its purpose much more effectively through appropriate legislation.

Wage statistics alone may not convince the constitutional lawyer of the propriety of minimum wage legislation. From a constitutional point of view, the argument of necessity alone is not sufficiently convincing. It is therefore the duty of the economist and social student to point out that while minimum wage legislation may be novel in substance it is but a logical sequence of all protective labor and social legislation, and that there are no new social principles involved that have not been admitted in other branches of labor legislation. This is important not only as an argument before courts of last resort, but also to break down the opposition that is found among economists as well as leaders of labor organizations.

The establishment of minimum standards is the object of most labor laws, be they standards of hygiene, of safety, or of the duration of the day. There is absolutely no difference of principle as between limiting the labor day to ten or eight hours, and prohibiting employment of wage workers under a minimum wage. Both limit substantially the degree of exploitation of the wage

worker by his employer, by restricting the so-called liberty of either.

Not only the legal but the economic arguments used against them are identical, and we may say equally preposterous. The argument that industries must be preserved no matter at what cost is equally vicious in application to either. It well may be that a more drastic action of the Massachusetts Board in relation to the broom industry would have increased the cost of brooms. That is an argument against the present price of brooms and not against the right of Massachusetts women and girls to lead a decent and healthy existence. There remains, of course, the spectre of interstate competition. It is quite wonderful what vitality this spectre displays. There never was a proposal for protective labor legislation that was not confronted by it, whether it was an effort to shorten the workers' day, or to drive out child labor, or to grant accident compensation.

If this were to hamper labor legislation, then we should have in Massachusetts child labor laws of Alabama and the Carolinas, and the New York compensation law would be absolutely impossible.

The fact of the matter is that though the best and worst compensation acts are only separated by the Hudson River, and though interstate competition was repeatedly threatened, I have yet to hear of a single employer who decided to cross the river to escape the burden of the high cost of compensation.

It is time to get rid of all the "community of interest" cant. Labor legislation of the constructive kind is "class legislation" because it is intended for the purpose of protecting the wageworking class against the employing class. And no substantial results will be accomplished until this is frankly recognized. Perhaps then we shall not meet the opposition even from the workers themselves that we do now. Indirectly and occasionally a measure of labor legislation may also benefit the employer, but indirectly and occasionally only. As a rule constructive labor legislation cuts into profits; often it requires a direct contribution from or tax upon the employer. There never was a substantial labor law that did not meet the opposition of the employer arising from these facts.

To overcome this opposition courage is a very essential factor. The Massachusetts idea of the function of the wage board is "to find *what can be done*, not what is desirable, to discover a middle

ground where diverse interests can be reconciled." It seems to me that this is just the attitude well calculated to discredit the principle of minimum wage legislation. It is not only abstractly desirable but quite concretely imperative that wages be sufficient to pay for the minimum living expenses. And when these have been determined to be \$8.71 a week, it is preposterous to agree at 15½ cents an hour, which will not produce the necessary amount except through 56 hours a week. It is further preposterous to disregard in these computations the inevitable loss of time from illness or unemployment.

At the peril of being accused of riding my own particular hobby, I must insist that the principle of a minimum wage cannot be realized unless it carries with it ample provision against all the economic emergencies of the wage workers' existence through a comprehensive system of social insurance against sickness, invalidity, old age, unemployment, and industrial accidents. This appears impossible now. But the limits between the possible and impossible in social legislation are not physical and fixed. They shift readily under the influence of social pressures, resulting either from class consciousness on one side or from a growing social conscience on the other. And given sufficient pressure, things impossible today become possible sometimes over night. In planning for progressive constructive social legislation, some social idealism is necessary. If we are to admit for a moment that in the richest country in the world things socially necessary are also impossible, that modern society finds it impossible to pay a minimum living wage, mainly because the most prosperous employers resist it, then all arguments for constructive social legislation are reduced to nought and the sooner we recognize the futility of practicing social evolution, the better.

The trouble with the Massachusetts minimum wage law is largely that it is not one. If minimum wage legislation means anything at all, it means the duty as well as power of society to prescribe and order (not only advise and urge) conditions of remuneration for wage work. Society's decision to interfere is predicated upon failure of the industry to arrive at a satisfactory conclusion. The time for conferring and compromising has gone by the time the minimum wage law decides to meet the regulation. The administrative machine may call in representatives of the contesting parties for the purpose of obtaining expert information, but

the representatives of the organized state (and not of that hazy indefinite conglomerate called the public) should have the majority of the deliberative body, and not be weaker than either side; above all its decision should have the binding force of law. It may well be that such legislation is at present unconstitutional. One hesitates to speculate in advance concerning the decision of the Supreme Court, but if it is unconstitutional, so much the worse for the constitution, and also so much the worse for our efforts at orderly and peaceful social progress.

As a matter of fact I do not doubt that a constitutional way will be found as it was in compensation. It seems that every new line of labor legislation goes through the same stages of development. It is initiated by so-called social reformers, as evidence of a growing social conscience. The difficulty with the social reformer is that while his heart is usually in the right place, courage sometimes fails him. He is afraid to suggest more than is reasonable and possible. For example, take the New York Compensation Act of 1910, fortunately declared unconstitutional, or the present New Jersey act. Perhaps he is right, for he meets antagonism even from organized labor, as did the compensation principle. But gradually the workmen learn. And when they do, we get legislation of an entirely different type. So long as a workman must send his immature daughter and sometimes his wife to work to provide for a reasonable standard, he must eventually learn. And lo and behold, minimum wage laws will become economically sound and constitutionally possible. Even under the seemingly ironclad and rigid limitations of our numerous constitutions, it is still true, that in social legislation, where there is the will, there is the way. I sometimes fear that the final success of our labor legislation depends upon the agitator no less than upon the economist and statistician.

THERESA S. McMAHON: After society has accepted minimum wage legislation as desirable, because necessary to maintain American standards of living, it is still confronted with the problem of its enforcement.

Several states have adopted minimum wage laws, and established wages for women and minors in various industries. The first rulings in the state of Washington applied to workers in mercantile establishments, and fixed the minimum wage to be paid adult female workers over the age of eighteen years, other than

apprentices, at \$10 per week. The minimum wage for female workers under the age of eighteen years was fixed at \$6 per week. Apprentices are allowed to the number of 17 per cent of the total number of the adult workers employed. The minimum wage of these apprentices was fixed at \$6 per week for the first six months, and \$7.50 per week for the second six months employed. The rulings of the other states do not differ fundamentally from the rulings made by the state of Washington.

Industrial history suggests that if rulings continue to be made along similar lines established by the pioneer states in the movement minimum wage legislation will fail in its purpose and the interested public, as a result, will lose faith in this method of bettering conditions of living of underpaid workers.

The large army of underpaid workers is in part a product of widening markets and machine industry. Hand in hand with these has come an efficiency in business management which has reduced labor cost in terms of human energy and skill to a remarkable degree. This reduced cost has been brought about by the scientific management of labor, and the substitution of machinery for labor whenever profitable. The extensive use of machinery, when it did not replace workmen, created new lines of work often within the reach of the unskilled, untrained, and young. The history of industrial evolution constantly presents to us the bitter protest of the skilled worker deprived of his means of livelihood and brought face to face with the new economic situation of either joining the ranks of the unskilled or carving out a new trade not yet claimed by machine industry. The ranks of the unskilled are further supplemented by the increased application of minute division of labor. The larger the industrial establishment the more profitable to segregate all unskilled tasks from the semi-skilled and skilled, and to create specific tasks open to the competition of the cheapest grade of workers. The increasing stream of unskilled workers is fed from another source—that of immigration. All these workers—men, women, and children—are struggling to get their feet on the lower rung of the industrial ladder.

The increasing use of machinery, coupled with minute division of labor, and a competing horde of immigrants with their lower standards of living are potent influences in breaking down the bargaining power of the unskilled workers. In fact, the industries which can draw upon the most congested labor market for the

bulk of their labor supply can operate on a comparatively low labor cost. The recognition of this fact is responsible for the demand on the part of the public for the legal regulation of minimum wages on behalf of the unskilled workers too weak to bargain successfully for a living wage.

If this is true, will not the acknowledgement of one year's apprenticeship, as the commissions of the various states are ruling in these competitive fields, subvert the efficiency of minimum wage laws? Where an apprenticeship of even six months is allowed in unskilled industries, and there exists no labor organization to enforce seniority rights, will not the workwomen who have served an apprenticeship be discharged and their places be taken by those who have no registered apprenticeship period back of them? Will not the old abuse of the apprenticeship system, so common in the last century, be reestablished and serve but one purpose, that of securing cheap labor?

The breakdown of the old apprenticeship laws of England had its origin in their abuse. Employers, under the guise of apprenticeship, secured cheap contract labor, while the apprentice received nothing in the way of training to compensate him for his low wage.

It is questionable whether the skilled trades in which an apprenticeship of one year must necessarily be served before the task in question can be efficiently performed is in immediate need for minimum wage legislation. Workers in these trades, by virtue of their skill, look forward to the regulation of their wages through labor unions rather than state aid. It is the living standard of the *unskilled* women workers, too weak to bargain for themselves, minimum wage commissions are called upon to maintain. If they fail, by not adequately guarding against loopholes which make possible the evasion of the spirit of the laws, will they not discredit the whole movement and antagonize the workers themselves whose faith in legal action seems somewhat shaken?

It is true minimum wage commissions have made rulings which limit the number of apprentices which can be employed by one firm. In Washington apprentices cannot number more than 17 per cent of the adult workers employed. This might suggest the conclusion that at least a large number of the girls will receive the wages set by the commissions as necessary to maintain American standards of living. But does this really follow?

Closely linked to this abuse of the apprenticeship system which

bound the apprentice to his employer for a period of years was the abuse of child labor. Aside from its social significance—the effect of child labor on future good citizenship—its disastrous effect upon adult labor with which it came into direct competition was not overlooked. Indeed, it has been one of the most forceful arguments produced in behalf of child labor laws.

When the minimum wage for adults is placed four dollars higher for girls over eighteen years of age than for boys and girls under eighteen years of age, as was done in the mercantile establishments of Washington, a decided premium is placed on the labor of minors. Such a ruling must necessarily be accompanied by legislation cutting down the legal number of hours a minor can work below the number set for adult female workers, or obliging the employers to send minors to continuation schools on the employer's time. One other way to meet this problem is to fix the same legal minimum wage for minors as for adults when the two classes of workers come into direct competition.

It must be admitted that there is much work in industry which can be performed by girls under eighteen years of age as well as by mature women, and when the law fixes the minimum wage for minors appreciably less than the legal minimum to be paid adult workers the latter are at a distinct disadvantage when offering their labor for sale.

One of the most pressing social problems of the day is how to eliminate child labor from industry as a means of protecting future citizens from the exploitation of industry, and, secondly, how to prevent the children in industry from competing with their elders. In many instances a child can be driven more effectively than an adult, and would prove a greater financial asset to his employer if employed at the same wage. But where the child has no advantage over the adult in speed, and has certain marked disadvantages in efficiency, its employment depends solely on its willingness to accept a small wage, inadequate for its support. When boys and girls compete on a low scale with adults, and when the adults' wage is raised by law several dollars higher than the old competitive wage, the working woman is apt to be worse off than before the minimum wage law went into effect. Thus is added a further inducement to continue the process of segregating the unskilled jobs from the skilled, and to employ young girls rather than women who are more likely to be thrown wholly on their own resources.

There is no way of determining what percentage of the labor supply offered in the labor market is made up of young women, but it is reasonable to suppose that the number of girls between the ages of sixteen and eighteen years offering their services to industry would be considerably higher than at a later age period, when marriage has depleted their numbers. The competition of these girls in the factory and department stores has proven in the past a menace to wage-earning women who are necessarily self-supporting.

When we face these two problems squarely, namely, apprenticeship in the unskilled trades, and the labor of minors in these trades, is there any justification for the accusation of the Seattle working girl who complained in the columns of a Seattle daily paper, "You social workers are making things worse for us girls," and cited as an example minimum wage legislation. She had lost her job because she had a year's experience back of her.

Students of labor problems have repeatedly told us that one reason the wages of women are so low is that they crowd in the unskilled trades because of their unwillingness to serve a year or two apprenticeship in the better-wage-paying industries. They compete with each other within a narrow circle of industries adapted to their natural skill. Their unwillingness to serve an apprenticeship is based on the fact that they expect to marry and to leave the industrial field within a few years.

If we are willing to concede this point—we can find evidence on all sides—why not meet the issue squarely, and fix a minimum wage for this class of workers for whom minimum wage laws have been asked?

If the minimum wage commission, charged with the duty of fixing legal minimum living wages, are convinced that they cannot do so without driving industries from their respective communities, and if they are unwilling to assume the responsibility for doing so, would it not be better frankly to say so rather than to enact rulings which will fail in the purpose for which they were originally intended? Any other course may impose unjustifiable hardships upon the weakest workers in society. The value of experience in minimum wage legislation bought at such a price is open to question.

W. L. WHITTLESEY: These minimum wage investigations bring out a broad fact which most of us prefer to ignore: that all civilized

societies, so far, have stood on some subject class, have founded their industry and prosperity upon the basis of an inferior order of workers. The Greeks elevated this system into a philosophy and had a good deal to say about the slave as a living tool in the hand of the master. It is less than eighty years since books were written in our country, and that by sincere and learned men, to justify this method of getting the necessary work done. It has always been thus, but when we are confronted by the results we want the system changed, we want to get such a situation that one can live in a community and buy its goods and preserve one's self respect. This is not a matter of taking property away from one set of men and giving it to others. What we want is to use the power of the state, cautiously, definitely, and as slowly as conditions require, to fix, as Professor Willoughby has said in his book *Social Justice*, the plane upon which competition must proceed. The idea is to put a bottom into industry which will prevent anyone from making profits out of the ignorance and necessity of his workers, to make it impossible for anyone to draw off any part of the labor of a community into employments which do not maintain themselves. This is, of course, a broad principle and nothing else. It does not do away with the need of accident, death, and sickness benefits; it does not supplant old-age pensions or unemployment insurance. To reach the goal will require the most careful planning and the most intelligent administration for years to come, but—and much more important—the desirability of attaining this end is in no way impeded by the reluctance of backward employers or by the immediate difficulties of making broad trade adjustments in unprosperous times. The minimum wage project aims at a permanent betterment of working conditions. Its feasibility rests upon two great facts: *first*, that only one fourth or one fifth of the labor of a modern community is required to feed it (we are not tied to the soil); and, *second*, that this change ought to have the most valuable reaction upon our productive power. No one need be starved or kept poor in order to keep our world going. There ought to be the most fundamental advertising value in a readjustment, such that consumers will be able to know that the things they use are made under the right conditions. Who wants to impose on half-fed women and children in order to get socks at two cents less per pair? The conditions these investigations reveal must be done away with. Finally, these under-wage people are a

dead weight, a living wet blanket on the development of the community. I work for a public service corporation which has over \$700,000,000 invested in this country, yet there was not a single telephone call in that girl's budget as Mrs. Evans gave it. For her the Bell system does not exist. In these mill towns with the hordes of cheap labor we have two to four telephones per hundred of population, in American cities of the same size we have twenty or more per hundred. This is only one note from one line. What can you sell people who are living right up against it? They mean nothing to progressive business. In the long run there is no curse of a community like the curse of cheap people and it is time we began to plan to get rid of it.

SCOTT NEARING: A great deal has been said regarding the necessity of charging up the cost of minimum-wage legislation to the consumer and to the worker. Is it not time that some effort was made to charge up these costs where at least a considerable portion of them belong,—to the interest and dividend funds of the community? It is easy to assume that the costs of progress should be charged where they have always been charged. It is high time that we refine our code of economic thinking, and begin to lay burdens on the shoulders most able to bear them.

N. I. STONE: I believe the opposition of the American Federation of Labor to minimum wage legislation is due largely to a failure to distinguish between a legal minimum wage which is meant to be merely a subsistence wage and a union minimum wage which is usually a standard wage aiming to provide more than a minimum necessary for existence. The legal minimum wage is applied in the sweated trades in England, and in the few states in this country in which it has been recently enacted aims to secure a subsistence wage for those who are earning less than the minimum amount necessary to support life. In other words, it comes to the aid of those whom the union apparently has so far been unable to organize or, having organized, has been unable to gain for them a living wage. It does not interfere in the least with the union attempting to secure more than a minimum for those of the workers who, through higher skill or through ability to force concessions from the employers, can secure better terms.

Bearing this distinction in mind, I can not agree with the remark in Dr. Rubinow's excellent paper that women workers have

not been able to accomplish as much through strikes as minimum wage legislation can accomplish for them. In the Dress and Waist industry, for example, the wages of which I have recently investigated and in which 84 per cent of the workers are women, mostly girls, wages of week workers under the protocol run all the way from \$8 to \$14 per week, according to occupation and the skill required. These are the minimum union rates, and a considerable proportion of the women are earning still higher rates of wages. It is manifest that no wage board under a minimum wage law would award such rates of wages at this time. The same is true of women workers in other organized trades. However, in unorganized trades, like candy making, paper box making, etc., we know from Dr. Woolston's report, as well as from reports relating to other states than New York, that wages of women are far below the minimum necessary to support life.

Dr. MacMahon's experience, sad as it is, does not shake my faith in the possibilities of minimum wage legislation. The trouble with her state was that the law failed to provide adequate safeguards against possible abuse. The time limit placed upon the period of apprenticeship was all right as far as it went, but should have been supplemented by a limitation upon the percentage which the number of apprentices in any establishment may bear to the total number of employees working therein. As the minimum wage is to be applied, as a rule, in trades in which no skill or but little of it is required, the proportion of apprentices could be fixed at a low figure, certainly not more than 10 per cent and possibly less, depending on the character of the trade. For the same reason a year seems to be too long a period to allow for apprenticeship, especially for adult persons. I know of trades in which three months would be more than an ample allowance. With the law strengthened in these two directions, I believe the state of Washington can still retrieve the minimum wage situation.

As for the fear of competition from states having no minimum wage laws, to which Mrs. Evans has referred, I regret that time will not permit to cite concrete instances from many industries showing the small part that wages play in the total cost of production. (Those interested in this aspect of the case are referred to my paper in the forthcoming report of the New York State Factory Investigating Commission on the minimum wage.) I shall merely draw attention to the fact that higher wages usually spell higher efficiency, especially in the case of girls compelled to

work at starvation wages, which inevitably make for greater inefficiency. In this connection it is well to bear in mind the figures Dr. Woolston cited in his paper this morning, showing what little, almost imperceptible, effect a large increase of wages would have upon cost of production or prices.

I have no quarrel with Dr. Nearing's suggestion of increasing wages at the expense of excessive profits, but I am convinced that no such calamity threatens the recipients of profits from minimum wage legislation for women and children, which only aims to raise them to a subsistence minimum, for the reasons I have already cited that the increase in efficiency of the worker who ceases to starve is bound to be so great that not only will it not increase the cost of production, but in most cases it will actually reduce it. Again I speak not from theory, but from actual experience.